

Message Text

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ACTION ARA-10

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R 171954Z JAN 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 1996

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL SALVADOR

AMCONSUL BELEM

AMCONSUL PORTO ALEGRE

AMCONSUL RECIFE

UNCLAS RIO DE JANEIRO 0186

E.O. 11652: N/A

TAGS: PINT, ELAB, BR

SUBJECT: BRAZIL WAGE GUIDELINES - 1975

1. IN A MOVE TO INCREASE PURCHASING POWER, REAL WAGES, AND TO COMPENSATE FOR THE SHARP INCREASE IN THE COST OF LIVING DURING 1974 (34.5-0/0), THE GEISEL ADMINISTRATION ISSUED A DECREE ON JANUARY 10, 1975 WHICH PROVIDES FOR WAGE INCREASES OF 43-0/0 FOR ALL WORKERS COVERED BY ANNUAL COLLECTIVE BARGAINING AGREEMENTS WHICH EXPIRE IN JANUARY, 1975 AND FOR WORKERS COVERED BY LABOR TRIBUNAL DECISIONS HANDED DOWN DURING THIS SAME MONTH.

2. IN ANNOUNCING THE INCREASE ON NATIONWIDE TELEVISION AND RADIO, MINISTER OF LABOR ARNALDO PRIETO EMPHSIZED THAT THE 10 PERCENT EMERGENCY WAGE INCREASE, WHICH WENT INTO EFFECT ON DECEMBER 1, 1974 WOULD BE DISCOUNTED, THUS REDUCING THE ACTUAL INCREASE TO 33 PERCENT. THE MINISTER ALSO POINTED OUT THAT THE INCREASE DOES NOT AFFECT MILLIONS OF WORKERS COVERED BY THE MINIMUM WAGE WHICH IS NOT DUE FOR REVISION UNTIL MAY 1 1975.

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3. THE 43 PERCENT INCREASE, ACCORDING TO THE MINISTER, CARRIES OUT THE GOVERNMENT WAGE POLICY ANNOUNCED NOVEMBER 1974 WHICH PROVIDED FOR A REVISED FORMULA FOR DETERMINING WAGE ADJUSTMENTS. THIS NEW FORMULA PROVIDED TWO BASIC CHANGES FOR WAGE CALCULATIONS:

(1) THE AVERAGE REAL WAGE IS BASED ON THE LAST 12 MONTHS INSTEAD OF THE PREVIOUS 24; (2) ESTIMATES OF THE INFLATIONARY COURSE OF THE YEAR WILL, FOR THE FIRST TIME, BE REFLECTED IN MONTHLY WAGE ADJUSTMENTS.

4. EMPLOYERS, ACCORDING TO A GOVERNMENT SOURCE, WILL BE PERMITTED TO INCREASE PRICES IN ORDER TO COMPENSATE FOR THE INCREASED WAGE COSTS.

5. COMMENT - ACCORDING TO RELIABLE SOURCES, APPROXIMATELY FIVE MILLION WORKERS ARE COVERED BY COLLECTIVE BARGAINING AGREEMENTS. THERE ARE, HOWEVER, FEW AGREEMENTS WHICH EXPIRE IN JANUARY OR DURING THE FIRST SIX MONTHS OF 1975. AS A RESULT THE GOB'S DECISION WILL NOT HAVE AN IMMEDIATE PROFOUND IMPACT ON WAGES. SIMILAR FUTURE MONTHLY ADJUSTMENTS TO BE PREPARED BY THE MINISTRY OF LABOR WILL AFFECT ONLY THOSE AGREEMENTS WHICH EXPIRE OR ANY LABOR TRIBUNAL DECISION HANDED DOWN IN THAT PARTICULAR MONTH; AND WILL NOT BE RETROACTIVE. NEVERTHELESS THIS MEANS THAT THIS LABOR MINISTRY PROCEDURE WILL HAVE SIGNIFICANT EFFECT ON REAL WAGES AND INFLATIONARY PRESSURES IN LATTER HALF OF YEAR WHEN BULK OF COLLECTIVE BARGAINING AGREEMENTS ARE RENEWED.

6. EMBASSY CONCURS THIS MESSAGE.

MILLER

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NNN

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